

*Hammors*



County of Los Angeles  
**CHIEF ADMINISTRATIVE OFFICE**

713 KENNETH HAHN HALL OF ADMINISTRATION • LOS ANGELES, CALIFORNIA 90012  
(213) 974-1101  
<http://cao.lacounty.gov>

DAVID E. JANSSEN  
Chief Administrative Officer

May 1, 2007

The Honorable Board of Supervisors  
County of Los Angeles  
383 Kenneth Hahn Hall of Administration  
500 West Temple Street  
Los Angeles, CA 90012

Board of Supervisors  
GLORIA MOLINA  
First District

YVONNE B. BURKE  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

Dear Supervisors:

**PUBLIC HEARING ON AFFORDABLE HOUSING POLICY OPTIONS  
TO IMPLEMENT THE MELLO ACT IN MARINA DEL REY  
(FOURTH DISTRICT) (3-VOTES)**

**IT IS RECOMMENDED THAT YOUR BOARD, AFTER THE PUBLIC HEARING:**

1. Consider the proposed range of affordable housing policy options that are consistent with the Mello Act (California Government Code Sections 65590 and 65590.1) for possible inclusion in the draft Marina del Rey Affordable Housing Policy, which the Marina del Rey Affordable Housing Task Force has recommended for approval;
2. Approve in concept the recommended affordable housing policy parameters in order to establish the parameters of the "project" for the purposes of completing the review required by the California Environmental Quality Act (CEQA); and
3. Instruct the Chief Administrative Officer (CAO) to finalize the draft Marina del Rey Affordable Housing Policy, and prepare the appropriate environmental documentation with comments and proposed revisions from interested parties and the public for the Board's consideration within 90 days.

**PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION**

On August 1, 2006, your Board considered the draft affordable housing policy prepared by the Marina Affordable Housing Task Force. At that time, your Board instructed the Task Force to conduct a community forum in Marina del Rey to collect public input on the draft policy and directed County Counsel to work with the Task Force to devise an affordable housing policy options document to be considered prior to your Board voting on the final policy parameters.

Subsequently, your Board approved a methodology to allow for the use of County rent credits to finance the construction of both replacement and inclusionary housing units required pursuant to the Mello Act. As a result, the policy has been revised to reflect this change (Attachment 1). In addition, we have prepared the attached Mello Act Policy Options Table (Attachment 2) which identifies the range of affordable housing policy options for the Board to consider in evaluating and/or refining the draft Marina del Rey Affordable Housing Policy. The table also identifies where the draft Policy provisions fit within the range of affordable housing policy options, and evaluates the consistency of the draft policy with Mello Act requirements.

The range of policy options also reflects the public input received by the Task Force on the draft Policy, including public comments received at a community forum convened by the Task Force at Burton Chace Park in Marina del Rey on the evening of September 7, 2006.

#### **IMPLEMENTATION OF COUNTYWIDE STRATEGIC PLAN GOALS**

The draft Policy and the consideration of other affordable housing policy options promotes the County's strategic planning goals of "service excellence" by developing clear and reasonable requirements, incentives, and standards to guide developers in meeting the requirements of the Mello Act.

#### **FISCAL IMPACT/FINANCING**

The Department of Beaches and Harbors is currently negotiating lease extensions for Parcel 10 (Neptune Marina), Parcel 64 (Villa Venetia) and Parcel 33/NR (Marina Beach). The approval of policy parameters by your Board will have an impact on County revenues from such leases. For instance, by applying the provisions of the recommended Policy to each of the projects mentioned above, a total of 48 inclusionary housing units reserved for very low-income families and 39 replacement housing units designated for moderate income families would be required to be built onsite as part of the proposed developments. The total present value rent loss to the County under this scenario (assuming a 30 year affordable housing covenant) is estimated to be \$29.8 million compared to an all market rate transaction with no affordable housing units on site.

The consideration of other affordable housing policy options by your Board may also result in the selection of additional or alternative policy provisions that may further impact County rents. The chart below illustrates the potential financial impact of the various policy options which may include replacement of existing units on a like-for-like basis, may extend the affordable housing covenant beyond 30 years through the term of each lease, and/or use alternative methods in calculating the inclusionary housing obligation for each development project mentioned above.

**Present Value Rent Loss Compared to an All Market Rate Transaction**

Options	Description	30 Year Affordability Covenant	Term of Lease Affordability Covenant
Proposed Policy	<ul style="list-style-type: none"> <li>360 existing units to be demolished.</li> <li>1,356 total new units to be constructed.</li> <li>1,210 market rate units.</li> <li>59 density bonus units.</li> <li>39 replacement units at moderate income.</li> <li>48 inclusionary units at very low income calculated on 5 percent of the Net New Units (i.e. 1,356 new units less (59 density bonus units and 360 demolished units) x .05 = 48 inclusionary units).</li> </ul>	\$29.8 million	N/A
A	<ul style="list-style-type: none"> <li>360 units to be demolished.</li> <li>1,356 new units to be constructed.</li> <li>1,210 market rate units.</li> <li>59 density bonus units.</li> <li>39 replacement units at moderate income.</li> <li>48 inclusionary units at very low income calculated on 5 percent of the Net New Units (i.e. 1,356 new units less (59 density bonus units and 360 demolished units) x .05 = 48 inclusionary units).</li> </ul>	N/A	\$31.5 million
B	<ul style="list-style-type: none"> <li>360 existing units to be demolished.</li> <li>1,356 new units to be constructed.</li> <li>1,210 market rate units.</li> <li>59 density bonus units.</li> <li>39 replacement units at moderate income.</li> <li>96 inclusionary units at very low income calculated on 10 percent of the Net New Units (i.e. 1,356 new units less (59 density bonus units and 360 demolished units) x .10 = 96 inclusionary units).</li> </ul>	\$48.2 million	\$50.8 million
C	<ul style="list-style-type: none"> <li>360 existing units to be demolished.</li> <li>1,356 new units to be constructed.</li> <li>1,210 market rate units.</li> <li>59 density bonus units.</li> <li>20 replacement units at moderate income and 19 replacement units at low income based on CDC tenant income survey.</li> <li>63 inclusionary units at low income calculated on 5 percent of the Adjusted Total Units (i.e. 1,356 new units less 59 density bonus units and 39 replacement units) x .05 = 63 inclusionary units).</li> </ul>	\$39.0 million	\$41.1 million

D	<ul style="list-style-type: none"> <li>• 360 existing units to be demolished.</li> <li>• 1,356 new units to be constructed.</li> <li>• 1,210 market rate units.</li> <li>• 59 density bonus units.</li> <li>• 20 replacement units at moderate income and 19 replacement units at low income based on CDC tenant income survey.</li> <li>• 126 inclusionary units at low income calculated on 5 percent of the Adjusted Total Units built (i.e. 1,356 new units less (less 59 density bonus units and 39 replacement units) x .10 = 126 inclusionary units).</li> </ul>	\$67.0 million	\$70.6 million
E	<ul style="list-style-type: none"> <li>• 360 existing units to be demolished.</li> <li>• 1,356 new units to be constructed.</li> <li>• 1,210 market rate units.</li> <li>• 59 density bonus units.</li> <li>• 20 replacement units at moderate income and 19 replacement units at low income based on CDC income survey.</li> <li>• 130 inclusionary units at low income calculated on 10 percent of the total Units built less density bonus units (i.e. 1,356 new units less (59 density bonus units) x .10 = 130 inclusionary units).</li> </ul>	\$51.1 million	\$54.0 million

The loss in revenue to the County has two components. The first component is the reduced ground rent due to the lower rents collected from tenants in affordable units. Since this is not dependent on negotiation it can be projected with some confidence given assumptions about inflation. The second component is the possible rent credit offered to the lessees to compensate for the loss in value associated with providing the affordable units on site. The calculation of this credit depends on a host of different financial assumptions and is the subject of extensive negotiations. The numbers shown here reflect the best judgment of the County's economic consultants as to the specific impact of the affordable housing. They do not consider other elements which the lessees represent warrant additional credit. Therefore, it is important to note that these figures may fluctuate depending on the County rent concessions ultimately negotiated with the various developers on a case-by-case basis.

The draft policy also includes fees that are intended to recover the full cost for services provided in reviewing, evaluating and monitoring income eligibility and housing cost limits.

## **FACTS AND PROVISIONS/LEGAL REQUIREMENTS**

The Mello Act (California Government Code Sections 65590 and 65590.1) requires that each local government which jurisdiction is situated, in whole or in part, within the Coastal Zone has the responsibility to both provide for replacement housing units when existing affordable housing is converted or demolished, and support the creation of affordable housing units through new construction in a manner consistent with the Act. Compliance is required for that portion of a jurisdiction that is located within the Coastal Zone. Marina del Rey is located within the Coastal Zone and, therefore, is subject to Mello Act requirements for affordable housing.

The Mello Act is intended to provide local jurisdictions with discretion in imposing affordable housing requirements in the Coastal Zone because each situation presents some unique facts and public policy considerations. The Mello Act must be implemented in conjunction with various other State mandates, such as the California Coastal Act, the California Environmental Quality Act (CEQA), State Density Bonus Law, and Statewide Housing Element Law. As a local government entity, the County must reconcile these often conflicting state mandates when approving housing developments within the Coastal Zone on a project-by-project basis. The situation in the Marina is complicated by the fact that the County is also the landowner and acts in a proprietary manner regarding leaseholds.

The Mello Act clearly states that ordinances or programs are not required to implement the statute's provisions. However, an affordable housing policy creates certainty for the development community as to what requirements will apply to future development projects. The Mello Act acknowledges the need for certainty and predictability by defining feasibility in terms of whether a project can be completed in a "successful" manner within a "reasonable" period of time. The Task Force acknowledges that without a clear policy, housing production in Marina del Rey could potentially be impacted.

## **ENVIRONMENTAL DOCUMENTATION**

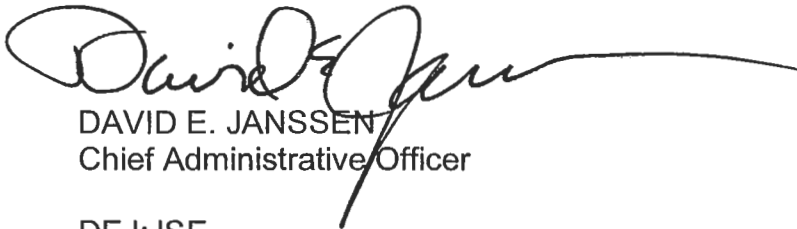
Adoption of the revised affordable housing policy is a project for purposes of CEQA, because implementation of the policy may have an effect on the physical environment. Based upon your Board's direction regarding inclusion of any policy options, the Task Force will then prepare the appropriate environmental documentation for consideration by your Board prior to your Board's consideration and adoption of any revised affordable housing policy.

The Honorable Board of Supervisors  
May 1, 2007  
Page 6

**IMPACT ON CURRENT SERVICES (OR PROJECTS)**

The consideration of affordable housing policy options will not directly impact County services. However, the approval of policy parameters for inclusion in a final policy has an effect on County leases that are under negotiation for project sites within Marina del Rey.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "David E. Janssen", with a long horizontal flourish extending to the right.

DAVID E. JANSSEN  
Chief Administrative Officer

DEJ:JSE  
SHK:zu

Attachments (2)

c:     Executive Officer, Board of Supervisors  
       Beaches and Harbors  
       Community Development Commission  
       County Counsel  
       Regional Planning

**COUNTY OF LOS ANGELES - MARINA DEL REY  
AFFORDABLE HOUSING POLICY  
MAY 1, 2007**

The purpose of the County of Los Angeles - Marina del Rey Affordable Housing Policy described herein is to preserve existing affordable housing supplies (replacement units), and support the creation of new affordable housing units (inclusionary units) in compliance with the Mello Act, while balancing the County's ability to generate revenues from Marina ground leases for Countywide public benefit programs.

**EXECUTIVE SUMMARY**

The number of new affordable housing units to be constructed as part of any new development within County-owned Marina del Rey shall be 1) reasonably disbursed throughout the project; 2) comparable in size and design to the market-rate units being developed in the rental component of the new or converted project; and 3) include a covenant guaranteeing that the relevant affordable income and rent requirements for each replacement and inclusionary affordable housing unit will be observed for at least 30 years.

The number of replacement units to be constructed shall be determined on a case-by-case basis via an income survey to be completed by the Community Development Commission. The replacement units identified as part of the income survey may be set aside for moderate, low, or very low income families.

The inclusionary housing obligation shall be calculated on the net new incremental units to be constructed as part of the project with a goal of either 5% of such newly constructed units being set aside for very low income families, or 10% of the newly constructed units being set aside for low income families based upon an analysis of each project's feasibility.

Determining feasibility of on-site affordable housing for a project must be undertaken on a case-by-case basis. If on-site affordable housing initially appears infeasible, the potential use of density bonuses and other incentives and potential economic aid, such as tax credits and/or below market bond financing or grants should be considered as a means of making on-site affordable housing feasible. County rent adjustments to comply with the affordable housing requirement may be available and are subject to negotiation on a case-by-case basis.

If it is determined by the Regional Planning Commission after careful consideration of a joint recommendation by the Department of Regional Planning, the Community

Development Commission and the Department of Beaches and Harbors that providing the inclusionary units on-site causes the project to be infeasible by virtue of the applicant being unable to successfully complete the project within a reasonable period of time, taking into account economic, environmental, social and technical factors, then construction of such affordable units may be permitted off-site in the following priority order:

1. In the Coastal Zone within unincorporated territory of Los Angeles County;
2. Within three miles of the Coastal Zone in the unincorporated territory of Los Angeles County;
3. In the Coastal Zone within incorporated territory of Los Angeles County;  
or
4. Within three miles of the Coastal Zone in incorporated territory of Los Angeles County.

Replacement units must be provided on-site or within the Coastal Zone where feasible, and if infeasible on-site or within the Coastal Zone, then within three miles of the Coastal Zone with priority given to the unincorporated areas.

The obligation to construct or rehabilitate affordable replacement and/or inclusionary housing units off-site will be the sole responsibility of the applicant. The off-site affordable housing units must be completed and available for occupancy prior to the issuance of the Certificate of Occupancy for the new market rate development, but in no event later than three years from the issuance of a building permit for the new development project.

No in-lieu fee program will be available to comply with either the replacement or inclusionary housing obligations.

#### **MELLO ACT REQUIREMENTS**

The Mello Act applies to the demolition, conversion and construction of housing within the California Coastal Zone, and is intended to preserve affordable housing for low and moderate income persons and families. The basic requirements imposed by the Mello Act are:



Replacement Housing:	Converted or demolished residential units that are occupied by very low, low or moderate income persons or families must be replaced.
Inclusionary Housing:	New residential projects must provide inclusionary housing units affordable to very-low, low or moderate income persons or families, where feasible.
Conversion to Non-Residential Uses:	The County can only approve the demolition or conversion of residential structures for the subsequent development of commercial uses that are not coastal dependent, if it first finds that a residential use is no longer feasible at that location.

The following sections of this policy identify the County's methodology for fulfilling the replacement and inclusionary housing obligations imposed by the Mello Act.

## **REPLACEMENT HOUSING**

### **Obligations**

The Mello Act requires any residential unit occupied by a low or moderate income person or family to be replaced. Therefore, applicants for discretionary and non-discretionary permits involving the demolition, conversion or construction of housing within Marina del Rey will be required to assist the Los Angeles County Community Development Commission (CDC) and/or its affordable housing consultant to complete the following activities:

1. Send a notice to all current occupants that includes:
  - a. A description of the proposed demolition or conversion plan;
  - b. An explanation of the Mello Act provisions and compliance review process;

- c. Contact information for a County staff member who can provide additional information to the residents; and
  - d. An income survey to be completed by each family and individual occupant to determine the applicant's replacement housing obligation for Mello Act Compliance (see Exhibit I: Financial Information Form and Income Survey). [Note: Income information obtained from individual occupants specifically named on the lease, and their family members/domestic partner will be used exclusively to determine replacement housing eligibility. Financial information obtained from resident(s) subleasing directly from the legal occupant, but not named on the original lease/rental agreement (i.e. non-family roommates), will not be considered in determining the applicant's replacement housing obligation for purposes of Mello Act compliance].
2. Identify the characteristics of each unit in the project as follows:
- a. Units occupied by resident management employees will not be considered in determining the applicant's replacement housing obligation for purposes of Mello Act compliance (with a limit of one management unit per seventy-five residential units).
  - b. Students that are claimed as a dependent on their parent's federal income tax return or whose parent(s) are guarantors on the rental/lease agreement must include parental household income information on the tenant income survey to determine affordable housing eligibility of their unit for the purposes of Mello Act compliance.
  - c. Any vacant unit identified at the commencement of term sheet negotiations with the Department of Beaches and Harbors (DBH) is deemed to be a market rate unit.
  - d. For units that were occupied by tenants that have been evicted within one year prior to the commencement of term sheet negotiations with DBH, the applicant must demonstrate that the tenant was evicted for cause rather than to avoid the Mello Act replacement housing obligations. If it is

determined that the tenant was evicted to avoid the obligations, the unit shall be deemed occupied by a low or moderate income person or family.

- e. Affordable housing eligibility for units with tenants that return an income survey but decline to state any financial information and for tenants that do not respond to the income survey will be determined using tenant income information no more than two years old contained in the applicant's files; or in the absence of such income information, using the average of the previous year's monthly rent compared to the average affordable monthly rental rates for the same year as noted below:
  - i. If the average monthly rent for the unit is less than or equal to the average monthly affordable rent for a very-low income household, the unit will be considered to be occupied by a very-low income person or family.
  - ii. If the average monthly rent for the unit is less than or equal to the average monthly affordable rent for a low income household, the unit will be considered to be occupied by a low income person or family.
  - iii. If the average monthly rent for the unit is less than or equal to the average monthly affordable rent for a moderate income household, the unit will be considered to be occupied by a moderate income person or family.
  - iv. If the average monthly rent for the unit is greater than the average monthly affordable rent for a moderate income household, the unit will be deemed to be a market-rate unit.
- f. Unmarried and unrelated tenants who wish to be treated as separate individuals rather than as a household must declare under penalty of perjury the following:
  - i. They are not registered domestic partners;
  - ii. Neither party claims employment benefits received by the other party (i.e. health insurance, etc.);

- iii. They do not share a bank account; and
  - iv. They do not own real property together.
- 3. The CDC shall submit to the Regional Planning Commission the following information for each project involving the demolition, conversion or construction of housing within Marina del Rey:
  - a. Confirmation of household income level of the persons or families in accordance with California Health and Safety Code standards.
  - b. Identification of the number of bedrooms in the unit eligible for replacement pursuant to the Mello Act. When an occupant is determined to be of low or moderate income, but other occupants within the same unit are above-moderate income, the replacement obligation is limited to one bedroom.

#### **Methods of Compliance**

- 4. The applicant is required to replace each unit that is determined to be occupied by low or moderate income persons or families on a one-for-one basis (per number of bedrooms). The replacement units must adhere to the following requirements:
  - a. The replacement unit must be of comparable size and design to the market-rate units being developed in the rental component of the new or converted project.
  - b. The applicant shall record a covenant guaranteeing that the relevant affordable income and rent requirements for each replacement unit will be observed for at least 30 years from the issuance of the Certificate of Occupancy.
  - c. The replacement housing obligation may be satisfied, in whole or in part, by an affordable housing set aside required as a condition of receiving a density bonus, and shall not be imposed in addition to any such set aside, except to the extent the density bonus set aside does not fully satisfy

replacement and/or inclusionary housing obligations required under the Mello Act.

5. Replacement units may be set aside as very low, low or moderate income rental units based on comparison of the monthly rent at the commencement of term sheet negotiations for the unit to be demolished or converted to the affordable housing rental rates published annually by the CDC.
6. Applicants must provide the identified replacement housing units on-site or elsewhere within the Coastal Zone unless the applicant can demonstrate that such placement is not feasible.
  - a. The project feasibility analysis must include:
    - i. An evaluation of the impacts created by incentives available to the applicant such as density bonuses; development standards relief; and available state and local assistance programs. (Note: County rent concessions will not be made available to the applicant to comply with the applicant's replacement housing obligation pursuant to the Mello Act).
    - ii. An estimate of the developer's return that would be generated by the project. This return will be compared to a feasibility factor equal to the average capitalization rate for apartment sales in Los Angeles County, as published in the California Real Estate Journal, plus an amount not to exceed 200 basis points.
    - iii. An evaluation of whether or not the project can be successfully completed within a reasonable period of time, taking into account economic, environmental, social and technical factors.
  - b. If on-site or Coastal Zone replacement is determined to be infeasible, the units shall be provided at an off-site location in the following priority order:
    - i. Within three miles of the Coastal Zone in the unincorporated territory of Los Angeles County; or
    - ii. Within three miles of the Coastal Zone in the incorporated territory of Los Angeles County.

- c. Off-site units can be new construction or the substantial rehabilitation of existing units. The obligation to construct or rehabilitate affordable replacement housing units off-site will be the sole responsibility of the applicant.
- d. No in-lieu fee program will be available to comply with the replacement housing obligations.

### **INCLUSIONARY HOUSING**

The Mello Act requires new residential development to provide affordable housing units where feasible (inclusionary units). The County will require applicants to meet the following standards:

- 7. The inclusionary housing obligation will be imposed separately from any replacement housing obligations being applied to the project.
- 8. The inclusionary units must be reasonably dispersed throughout the rental unit component of the project, and the unit sizes and design must be comparable to market rate rental units included in the project.
- 9. The on-site inclusionary housing obligation will be calculated based upon the net incremental new units (fractional units under 0.5 are to be rounded down) to be constructed or converted in the following manner:
  - a. The applicant must set aside a percentage of the new units as affordable units, subject to an analysis of the project's feasibility on a case-by-case basis. The County's goal is to have each applicant set aside either 5% of the units for very-low income households, or 10% of the units for low income households.
  - b. If the applicant requests and is eligible for a density bonus, the inclusionary unit requirement will be calculated off the pre-bonus number of units.
  - c. The inclusionary housing obligation may be satisfied, in whole or in part, by an affordable housing set aside required as a condition of receiving a density bonus, and shall not be imposed in addition to any such set aside,

except to the extent the density bonus set aside does not fully satisfy the replacement and/or inclusionary housing obligations required under the Mello Act.

10. The applicant must provide a project feasibility analysis in support of its proposed inclusionary housing obligation.

a. The project feasibility analysis must include:

- i. An evaluation of the impacts created by incentives available to the applicant such as density bonuses; development standards relief; and available state and local assistance programs. (Note: County rent adjustments to comply with the inclusionary housing requirement are subject to negotiation on a case-by-case basis).
- ii. An estimate of the developer's return that would be generated by the project. This return will be compared to a feasibility factor equal to the capitalization rate for apartment sales in Los Angeles County, as published in the California Real Estate Journal, plus an amount not to exceed 200 basis points.
- iii. An evaluation of whether or not the project can be successfully completed within a reasonable period of time, taking into account economic, environmental, social and technical factors.

b. If on-site development of the inclusionary housing units is determined to be infeasible based upon the project feasibility analysis, the units must be provided at an off-site location in the following priority order:

- i. In the Coastal Zone within the unincorporated territory of Los Angeles County;
- ii. Within three miles of the Coastal Zone in the unincorporated territory of Los Angeles County;
- iii. In the Coastal Zone within the incorporated territory of Los Angeles County; or
- iv. Within three miles of the Coastal Zone in the incorporated territory of Los Angeles County.

- c. The off-site inclusionary units can be new construction or substantial rehabilitation. The obligation to construct or rehabilitate affordable housing inclusionary units off-site will be the sole responsibility of the applicant.
  - d. No in-lieu fee program will be available to comply with the inclusionary housing obligations.
- 11. The affordable income and rent requirements will be determined as follows:
  - a. The income standards for very-low and low income households will be based on California Health and Safety Code standards.
  - b. The affordable housing costs will be published by CDC on an annual basis (See Exhibit II: Income and Rent Limits – 2006).

#### **CONVERSION TO NON-RESIDENTIAL USES**

In accordance with Mello Act requirements, the County will evaluate proposals to demolish or convert residential structures for the subsequent development of commercial uses that are not coastal dependent. No project will be approved unless the County determines that a residential use is no longer feasible at the proposed location.

#### **ADDITIONAL PROVISIONS**

- 12. The tenant survey must be approved by the CDC during lease negotiations for County owned properties. If more than one year passes after approval of the original tenant survey, the survey must be updated and resubmitted as part of the County's Regional Planning application process for a Coastal Development Permit. The replacement housing obligation will be set at the higher result of the two surveys.
- 13. The applicant must submit an Affordable Housing Plan to the County; no Building Permits will be issued for the project until the County approves the Plan.
- 14. The applicant shall record a covenant guaranteeing that the relevant affordable income and rent requirements for each replacement and inclusionary unit will be observed for at least 30 years from the issuance of the Certificate of Occupancy.



The applicant will be required to comply with the County's monitoring requirements annually throughout the covenant term.

15. If replacement and/or inclusionary units are provided off-site, the off-site affordable housing units must be completed and available for occupancy prior to the issuance of the Certificate of Occupancy for the new market rate development, but in no event later than three years from the issuance of a building permit for the new development project. The Certificate of Occupancy for the new market rate development project will be withheld until the off-site affordable housing units are ready for occupancy.
16. Ownership Units
  - a. If an applicant is proposing to develop a project that includes rental and ownership units, the replacement and inclusionary units may all be provided in the rental component;
  - b. If an applicant is proposing to develop a 100% ownership unit project, the applicant may provide rental units on-site to fulfill the replacement and inclusionary obligations.
17. The CDC will levy the following fees:
  - a. The costs associated with engaging a consultant to undertake the tenant survey and evaluation will be funded by the applicant.
  - b. The costs associated with completing or auditing the project feasibility analysis will be funded by the applicant.
  - c. An annual fee of \$125 per affordable unit will be charged to defray the ongoing compliance inspection and reporting costs associated with the replacement and inclusionary units. This fee will be adjusted annually in accord with changes in the Consumer Price Index (CPI).

## COASTAL HOUSING PROGRAM TENANT QUESTIONNAIRE

As you likely are aware, the ownership of \_\_\_\_\_ has applied to the County of Los Angeles for approval of a Coastal Development Permit (CDP) to authorize the redevelopment of the \_\_\_\_\_ apartments. The ownership of \_\_\_\_\_ proposes to demolish the existing \_\_\_\_\_ apartment units and to construct a new apartment project on the site containing \_\_\_\_\_ rental units. In 1981, the California Legislature adopted Senate Bill 626, which requires that the demolition of existing dwelling units in the Coastal Zone occupied by persons or families of low or moderate income shall require the replacement of those dwelling units with units affordable to persons of low or moderate income. **The replacement units, if required, will be generally available to the public, rather than to specific individuals.**

To determine the number of units that must be replaced, the County of Los Angeles needs income information from the current tenants of \_\_\_\_\_. The County must receive income information separately from each family (related persons) and each unrelated adult living in your apartment. Please assist us by providing the information requested below and, if it is applicable, also complete the enclosed Financial Information form.

All financial information that you provide will remain confidential. If you have any questions, or need additional questionnaires and forms for unrelated individuals, please contact \_\_\_\_\_ at \_\_\_\_\_. Thank you in advance for your cooperation.

**Number of occupants living in your apartment unit:** \_\_\_\_\_.

*Please circle the income category that comes closest to the combined gross annual income from all sources of all family members (all related persons living in your apartment unit) based on family size without going over.*

Family Size	Less than Low Income	Less than Moderate Income	Greater than Moderate Income
1	< \$38,800	< \$47,200	> \$47,200
2	< \$44,350	< \$53,900	> \$53,900
3	< \$49,900	< \$60,700	> \$60,700
4	< \$55,540	< \$67,400	> \$67,400
5	< \$59,900	< \$72,800	> \$72,800
6	< \$64,300	< \$78,200	> \$78,200

Source: 2006 State income limits published by the California Department of Housing & Community Development

OR check the following: **DECLINE TO STATE** ☐

If you answered that your combined family income from all sources (including wages, salary, tips, interest and investment income, proceeds from the sale of a home or other real estate transaction, social security, pension, governmental or spousal support and child support) is **LESS** than the amounts in the table, **please complete the attached Financial Information form.**

If you answered that your income is **GREATER** than the amount in the table, or you **Declined to State** your income, **do not** complete the attached Financial Information form, but please **do** sign and date this questionnaire below.

**I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.**

Signature: \_\_\_\_\_ Date: \_\_\_\_\_

Print Name: \_\_\_\_\_ Street Address: \_\_\_\_\_ Apt.# \_\_\_\_\_

## TENANT FINANCIAL INFORMATION SURVEY

If you indicated on the previous page that your annual income is less than the dollar amount shown for your family size category, please complete the financial information requested below. Please indicate all sources and amounts of income for each family member who receives an income (of any kind). Please return this form with the attached questionnaire in the enclosed envelope. One Financial Information form should be completed for each family living in your apartment. Each unrelated adult living in your apartment should complete a separate Financial Information form.

Project Address: \_\_\_\_\_ Number of Bedrooms: \_\_\_\_\_

Your Name: \_\_\_\_\_

Date of Birth: \_\_\_\_\_ Home Phone #: (\_\_\_\_) \_\_\_\_\_ Work Phone #: (\_\_\_\_) \_\_\_\_\_

## Persons Living in Apartment Unit:

<u>Name of Person</u>	<u>Relationship to You</u>	<u>Age</u>	<u>Employed</u>
_____	_____	_____	Yes/No
_____	_____	_____	Yes/No
_____	_____	_____	Yes/No
_____	_____	_____	Yes/No

Your Marital Status: Married \_\_\_\_\_ Unmarried \_\_\_\_\_

If you indicated that you are unmarried, please answer the following questions:

Are you and any of the persons listed above registered with the State of California as domestic partners?

Do you receive employment benefits from any of the persons listed above (i.e. health insurance, etc.)?  
YES NO

Do you share a bank account with any of the persons listed above? YES NO

Do you own property with any of the persons listed above together? YES NO

## Source(s), Amount of Household Income (Gross):

	(Yourself)	(Other Household / Family Members)	
Employment	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Pension/Retirement	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Social Security	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
SSI	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Welfare	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Unemployment	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Armed Forces Pay	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Veteran's Benefit	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Disability	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Child Support	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Spousal Support	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
(Income from Interest, dividends, etc.)			
	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.
Other _____	\$ _____ mo.	\$ _____ mo.	\$ _____ mo.

The value of your assets, except for necessary items such as automobiles and furniture, are considered in determining your income. Therefore, please provide below the total dollar value of the various types of assets listed below that you own and the interest rate or rate of return.

			<u>Total Amount</u>	<u>Interest Rate/ Dividends</u>
Do you have a checking account?	YES	NO	\$ _____	_____
Do you have a savings account?	YES	NO	\$ _____	_____
Do you own stocks or bonds?	YES	NO	\$ _____	_____
Do you own real property?	YES	NO		
Estimated Property Value			\$ _____	
Total Loan Amounts			\$ _____	
Estimated Equity			\$ _____	

Do you receive any rental assistance from a relative or other source? YES NO Amount \$ \_\_\_\_\_

Are you a full-time student, 18 years of age or older? YES NO

If you answered yes to the above question, please answer the following:

Do your parents serve as guarantors on your rental or lease agreement? YES NO

Did your parents declare you as a dependent on their Federal Income Tax Return for this year? YES NO

(Please answer the following question only if you answered YES to being a dependent of parents.)

If your parents intend to declare you as a dependent on their Federal Income Tax Return for this year, please indicate below: (1) the number of persons in your family, and (2) the combined gross annual income of your parents and you.

Family Size: \_\_\_\_\_ Combined Gross Annual Income: \_\_\_\_\_

I declare under penalty of perjury, under the laws of the State of California, that the foregoing is true and correct.

\_\_\_\_\_  
Signature

\_\_\_\_\_  
Date

Thank you for your cooperation in completing this form.

# INCOME AND RENT LIMITS - 2006

		1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
	30%								
	50%	24,250	27,700	31,200	34,650	37,400	40,200	42,950	45,750
	60%	29,100	33,240	37,440	41,580	44,880	48,240	51,540	54,900
	80%	38,800	44,350	49,900	55,540	59,900	64,300	68,750	73,200
HUD	Median 100% (2)	48,500	55,400	62,400	69,300	74,800	80,400	85,900	91,500
HUD	120% of Median (2)	58,200	66,480	74,880	83,160	89,760	96,480	103,080	109,800
<b>HCD-State</b>	<b>Median 100% (1)*</b>	<b>39,300</b>	<b>45,000</b>	<b>50,600</b>	<b>56,200</b>	<b>60,700</b>	<b>65,200</b>	<b>69,700</b>	<b>74,200</b>
<b>HCD-State</b>	<b>120% of Median (1)*</b>	<b>47,200</b>	<b>53,900</b>	<b>60,700</b>	<b>67,400</b>	<b>72,800</b>	<b>78,200</b>	<b>83,600</b>	<b>89,000</b>

		Occupancy							
		Factor	0-bedroom	1-bedroom	2-bedroom	3-bedroom	4-bedroom	5-bedroom	6-bedroom
	<b>HCD-State (50%) (1)*</b>	<b>1+1</b>	<b>490</b>	<b>560</b>	<b>630</b>	<b>705</b>	<b>760</b>		
	LOW-HOME (50%)*	1.5	606	649	780	900	1,005	1,108	1,212
<b>HCD-State</b>	<b>TAX CREDIT (50%)*</b>	<b>1.5</b>	<b>606</b>	<b>649</b>	<b>780</b>	<b>900</b>	<b>1,005</b>	<b>1,108</b>	<b>1,212</b>
	City of Industry (50%)*	1+1	606	693	780	866	935	1,005	1,074
	BOND (50%)**	1+1	606	693	780	866	935	1,005	1,074
	<b>HCD-State (60%) (1)*</b>	<b>1+1</b>	<b>590</b>	<b>674</b>	<b>759</b>	<b>843</b>	<b>910</b>		
	TAX CREDIT (60%)*	1.5	728	779	936	1,081	1,206	1,331	1,475
	HIGH-HOME*	1.5	769	825	992	1,137	1,249	1,359	1,471
	BOND (60%)	1+1	728	831	936	1,040	1,122	1,206	1,289
	BOND (80%)**	1+1	970	1,109	1,248	1,389	1,498	1,608	1,719
	<b>HCD-State (80%) (1)*</b>	<b>1+1</b>	<b>690</b>	<b>785</b>	<b>885</b>	<b>985</b>	<b>1,060</b>		
HUD	Median 100% (2)	1+1	1,213	1,385	1,560	1,733	1,870	2,010	2,148
HUD	120% of Median (2)	1+1	1,455	1,662	1,872	2,079	2,244	2,412	2,577
<b>HCD-State:</b>	<b>80% to 120%</b>								
<b>of Median (1)*</b>		<b>1+1</b>	<b>1,081</b>	<b>1,238</b>	<b>1,392</b>	<b>1,546</b>	<b>1,669</b>	<b>1,793</b>	<b>1,917</b>

\*MUST SUBTRACT UTILITY ALLOWANCE FROM LISTED RENT AMOUNT TO GET ACTUAL RENT AMOUNT TO CHARGE TENANT

\*\*ACTUAL RENT CHARGED TO TENANT - NO UTILITY ALLOWANCE ADJUSTMENT MADE UNLESS PROJECT SPECIFICALLY REQUIRES IT FOR PROJECTS BEFORE 1-1-03

(1)\* Income limits and rents for 'unassisted' developments with density bonuses. Income limits are also to be used when income-qualified buyers are assisted with tax increment funds only

(2) The numbers shown are not published by HUD and are extrapolations from the income published by HUD for 50% of median income.

# MELLO ACT POLICY OPTIONS

## Attachment 2

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
<b>Determination of feasibility</b>	<p>The replacement dwelling units shall be located on the site of the converted or demolished structure or elsewhere within the coastal zone if feasible....In the event that an existing residential dwelling unit is occupied by more than one person or family, the provisions of this subdivision shall apply if at least one such person or family, excluding any dependents thereof, is of low or moderate income....</p> <p><i>Government Code 65590 (b)</i></p> <p>New housing developments constructed within the coastal zone shall, where feasible, provide housing units for persons and families of low or moderate income...</p> <p><i>Government Code 65590 (d)</i></p> <p>Any determination of the "feasibility" of an action required to be taken by this section shall be reviewable pursuant to the provisions of Section 1094.5 of the Code of Civil Procedure.</p> <p><i>Government Code 65590(e)</i></p> <p>"Feasible" means capable of being accomplished in a successful manner within a reasonable period of time, taking into account economic, environmental, social, and technical factors.</p> <p><i>Government Code 65590(g)(3)</i></p>	<p>The project feasibility analysis must include:</p> <p>An evaluation of impacts created by incentives available to the applicant such as density bonuses; development standards relief; and available state and local assistance programs....</p> <p>An estimate of the developer's return that would be generated by the project....</p> <p>An evaluation of whether or not the project can be successfully completed within a reasonable period of time, taking into account economic, environmental, social and technical factors.</p> <p><i>Draft Policy Pages 7,9</i></p>	<p><input type="checkbox"/> <b>1. Determine feasibility on a case-by-case basis.</b></p> <p><input type="checkbox"/> 2. Conduct an upfront technical study to determine requirements.</p>	<p>The advantage of determining the feasibility of providing replacement and inclusionary units on a case-by-case basis is that it considers the uniqueness of sites and market conditions over time. However, the disadvantage is that it does not provide certainty, and the deliberations over feasibility could be subject to delays in the entitlement process.</p> <p>The advantage of completing an upfront technical feasibility study is that it provides clarity in how feasibility is determined. The disadvantage is that it may be more appropriate to determine feasibility, according to the circumstances of the project, including market conditions at the time in which the project is proposed. In addition, the upfront technical study will may be expensive and time-consuming to produce. As there are only four housing developments coming forward for entitlements in the remainder of second generation Marina redevelopment, there are concerns that a technical feasibility study would not be worthwhile.</p>
<b>Determination of inclusionary housing units</b>	<p>New housing developments constructed within the coastal zone shall, where feasible, provide housing units for persons and families of low or moderate income...</p> <p><i>Government Code 65590 (d)</i></p>	<p>The applicant must set aside a percentage of the new units as affordable units, subject to an analysis of the project's feasibility on a case-by-case basis. The County's goal is to have each applicant set-aside either 5% of the units for very-low income households, or 10% of the units for low income households.</p> <p>...</p> <p><i>Draft Policy Page 8</i></p>	<p><input type="checkbox"/> <b>1. On a case-by-case basis, determine the feasible number of inclusionary housing units that the applicant must provide, with percentage goals of 5% very low income households or 10% low income households.</b></p> <p><input type="checkbox"/> 2. Provide alternative inclusionary percentage goals, such as:</p>	<p>The advantage of a case-by-case determination is the flexibility to consider the uniqueness of sites and market conditions over time.</p> <p>Setting percentage goals for inclusionary units informs lessees of the County's affordable housing expectations, with some flexibility for unique circumstances and changing market conditions. The draft policy goals have been set based on the qualifying thresholds set by State Density Bonus Law, which offers 20% density bonuses for setting aside either 5% very low income or 10% lower income units within a project.</p> <p>The advantage of conducting an upfront technical feasibility study is that it provides a sound, technical basis for imposing appropriate and feasible inclusionary housing requirements, as well as certainty to lessees. However, conducting a technical feasibility study may be expensive and time-consuming, and lessees would still be permitted to</p>

<sup>1</sup> All options in bold are proposed in the current draft policy.

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
Determination of inclusionary housing units (continued)			<div><input type="checkbox"/> 10% very low income households</div> <div><input type="checkbox"/> 20% low income households</div> <div><input type="checkbox"/> ____% very low, low or moderate Income</div> <div><input type="checkbox"/> 3. Conduct a technical feasibility study upfront to determine the appropriate percentage requirement for the inclusionary housing obligation.</div>	challenge the inclusionary housing requirements based upon feasibility on a case-by-case basis. As it is anticipated that there are only four housing developments coming forward for entitlements in the remainder of second generation Marina redevelopment, there are concerns that a technical feasibility study would not be worthwhile.
Determination of inclusionary housing units— Calculation	<p>New housing developments constructed within the coastal zone shall, where feasible, provide housing units for persons and families of low or moderate income...</p> <p><i>Government Code 65590 (d)</i></p>	<p>The inclusionary housing obligation will be imposed separately from any replacement housing obligations being applied to the project.</p> <p>...</p> <p>The on-site inclusionary housing obligation will be calculated based upon the net incremental new units (fractional units under 0.5 are to be rounded down) to be constructed or converted in the following manner....</p> <p><i>Draft Policy Page 8</i></p>	<div><input type="checkbox"/> 1. Calculate the inclusionary housing units based upon the net incremental new units.</div> <div><input type="checkbox"/> 2. Provide alternative calculation method, such as:<div><input type="checkbox"/> Exclude only required affordable replacement units from inclusionary obligation.</div><div><input type="checkbox"/> Require inclusionary obligation and credit qualifying affordable replacement units toward meeting an overall percentage goal that is calculated over the total project.</div></div>	<p>The exclusion of existing units, prior to demolition or conversion, from the calculation of inclusionary units follows the structure of the Mello Act, which treats the replacement of affordable housing units separately from the inclusion of affordable housing units in new development.</p> <p>Consideration of alternative calculation methods will result in an increased number of affordable units. However, alternative calculation methods that increase the number of inclusionary units will also result in higher costs to lessees and the County, and may increase the likelihood of on-site infeasibility and may encourage lessees to seek off-site placement instead.</p>
Determination of replacement housing units— Income targeting	<p>The conversion or demolition of existing residential dwelling units occupied by persons and families of low or moderate income...shall not be authorized unless provision has been made for the replacement of those dwelling units with units for persons and families of low or moderate income. ...The replacement dwelling units shall be located on the site of the converted or demolished structure or elsewhere within the coastal zone if feasible....In the event that an existing residential dwelling unit is occupied by more than one person or family, the provisions of this subdivision shall</p>	<p>Replacement units must be set aside as very low, low or moderate income rental units based on comparison of the monthly rent at the commencement of term sheet negotiations for the unit to be demolished or converted to the affordable housing rental rates published annually by the CDC.</p> <p>...</p> <p>...</p>	<div><input type="checkbox"/> 1. Units occupied by low-or-moderate income persons or families replaced with units set aside for low-or-moderate income persons or families based upon comparison of monthly rent.</div> <div><input type="checkbox"/> 2. Like-for-Like Replacement: Units occupied by very low income households replaced by units set-</div>	<p>Compliance with the replacement unit requirements of the Mello Act will result in the replacement of market rate units with income-restricted units because the determination of replacement is based upon income of the occupants, not on the rent charged to those occupants. While the draft policy requires the designation of replacement units based on income of occupants as required by the Mello Act, it permits the designation of income level restriction for the replacement unit based upon the rent charged for the unit to be replaced. The advantage of the rent comparison is that it allows for flexibility in providing replacement units for a range of low and moderate income individuals and families, while potentially ameliorating some of the financial effects of converting market rate units to affordable units. The disadvantage, however, is that lessees will most likely opt for moderate income restricted units.</p>



MELLO ACT POLICY OPTIONS

Attachment 2

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
Determination of replacement housing units—Income targeting (continued)	<p>apply if at least one such person or family, excluding any dependents thereof, is of low or moderate income....</p> <p><i>Government Code 65590 (b)</i></p>	<p><i>Draft Policy Page 7</i></p>	<p>aside for very low income households (30% AMI-50% AMI); units occupied by lower income households replaced by units set-aside for lower income households (50%AMI-80%AMI); units occupied moderate income households replaced by units set-aside for moderate income households (80%AMI-120%AMI).</p> <p><input type="checkbox"/> 3. Flexible Like-for-Like Replacement: Moderate income units may not replace lower or very low income units, but lower or very low income units may be replaced by either lower or very low income units.</p>	<p>The advantage of like-for-like replacement is that it will provide affordable units that correspond with the income levels of the individuals and families who are displaced. However, the disadvantage of like-for-like is that it is not as flexible, and can result in additional costs.</p>
Determination of replacement housing units—Number of bedrooms	<p>The conversion or demolition of existing residential dwelling units occupied by persons and families of low or moderate income...shall not be authorized unless provision has been made for the replacement of those dwelling units with units for persons and families of low or moderate income. ...The replacement dwelling units shall be located on the site of the converted or demolished structure or elsewhere within the coastal zone if feasible....In the event that an existing residential dwelling unit is occupied by more than one person or family, the provisions of this subdivision shall apply if at least one such person or family, excluding any dependents thereof, is of low or moderate income....</p> <p><i>Government Code 65590 (b)</i></p>	<p>The applicant is required to replace each unit that is determined to be occupied by low or moderate persons or families on a one-for-one basis (per number of bedrooms)....</p> <p>...</p> <p>Applicants must provide the identified replacement housing units on-site or elsewhere within the Coastal Zone unless the applicant can demonstrate that such placement is not feasible.</p> <p>...</p> <p><i>Draft Policy Pages 6,7</i></p>	<p><input type="checkbox"/> 1. One-for-One bedroom replacement.</p> <p><input type="checkbox"/> 2. One-for-One unit replacement.</p>	<p>The advantage of one-for-one bedroom replacement is that it corresponds more accurately with replacement of the unit according to the affordable household. However, the disadvantage is that it does not necessarily replace the unit that was occupied by at least one person or family of low or moderate income.</p>
Determination of replacement housing units—Exceptions for resident management employees	<p>Not specified.</p>	<p>...</p> <p>Units occupied by resident management employees will not be considered in determining the applicant's replacement housing obligation for purposes of Mello Act compliance (with a limit of one management unit per seventy-five residential units).</p> <p>...</p> <p><i>Draft Policy Page 4</i></p>	<p><input type="checkbox"/> 1. Exclude units occupied by resident management employees from replacement housing obligation with a limit of one for each 75 units.</p> <p><input type="checkbox"/> 2. Include units occupied by resident management employees who meet income requirements.</p>	<p>Resident management employee units were excluded in the draft policy because they are not tenants, they are employees. The advantage of excluding units occupied by resident management employees is that it does not burden lessees with replacing their management units with affordable units which may not then be useable by later resident management employees who are not income-qualified, thus requiring a further reduction of market rate units to house those employees. The disadvantage, however, is that a resident management employee occupying the unit may fit the income level that requires replacement, even if the resident management employee is technically considered an employee and not a tenant.</p>

MELLO ACT POLICY OPTIONS

Attachment 2

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
Determination of replacement housing units— Exceptions for students	Not specified.	Students that are claimed as a dependent on their parent's federal tax return or whose parent(s) are guarantors on the rental/lease agreement must include parental household income information on the tenant income survey to determine affordable housing eligibility of their unit for the purposes of Mello Act compliance. ... <i>Draft Policy Page 4</i>	<input type="checkbox"/> 1. Consider income of parents where students are claimed as dependents or where rent is guaranteed by parents.  <input type="checkbox"/> 2. Consider income of students only.	Considering parental income will provide a more accurate accounting of the income eligibility of students in order to avoid overstating the number of replacement units. However, the disadvantage is that the process to verify and monitor student status requires additional resources from the County.
Determination of replacement housing units— Exceptions for sub-lessees	Not specified.	[...Financial information obtained from resident(s) subleasing directly from the legal occupant, but not named on the original lease/rental agreement (i.e., non-family roommates), will not be considered in determining the applicant's replacement housing obligation for the purposes of the Mello Act]. <i>Draft Policy Page 4</i>	<input type="checkbox"/> 1. Exclude sub-lessees and sub-tenants who are not legal occupants in determining the replacement housing obligation.  <input type="checkbox"/> 2. Include information on sub-lessees or sub-tenants in determining the replacement housing obligation.	The advantage of excluding sub-lessees and sub-tenants is that it simplifies the income survey process, and addresses replacement unit obligations only for those who have a contractual right to occupy the unit. However, the disadvantage is that the incomes associated with the individuals named on the lease may not necessarily reflect the true income status of the occupants living in the unit.
Determination of replacement housing units— Roommates	In the event that an existing residential dwelling unit is occupied by more than one person or family, the provisions of this subdivision shall apply if at least one such person or family, excluding any dependents thereof, is of low or moderate income....  <i>Government Code 65590 (b)</i>	Unmarried and unrelated tenants who wish to be treated as separate individuals rather than as a household must declare under penalty of perjury the following:  They are not registered partners;  Neither party claims employment benefits received by the other party (i.e. health insurance, etc.);  They do not share a bank account together; and  They do not own real property together.  <i>Draft Policy Pages 5,6</i>	<input type="checkbox"/> 1. Allow unmarried and unrelated tenants to be treated as separate individuals.  <input type="checkbox"/> 2. Treat related, financially non-dependent individuals independently.	The draft policy treats occupants of a unit as a household for the purpose of determining replacement units, unless they affirmatively declare that they meet the requirements for being treated as individuals. The advantage of this requirement is that it avoids having to designate a replacement unit for a person who meets the income requirements as an individual, but is being supported financially by another occupant, who is not their spouse or blood relative, and who does not meet the income requirements. The requirement also allows persons in non-traditional relationships to be treated as households if they so wish, without having to make an affirmative declaration regarding the status of their relationship with the other occupants. However, the disadvantage is that in a few instances, it may exclude certain persons from consideration as individuals (i.e., financially independent siblings living together).
Determination of replacement housing units— When income information is not available	Not specified.	Affordable housing eligibility for units with tenants that do not respond to the income survey will be determined using tenant income information no more than two years old contained in the applicant's files; or in the absence of such income information, using the average of the previous year's monthly rent compared to the average affordable monthly rental	<input type="checkbox"/> 1. Additional steps of inquiry, such as using rents, etc. to exercise due diligence. When the tenant does not respond to the survey and income information is not available, deem unit market-rate.  <input type="checkbox"/> 2. Additional steps of inquiry, such as	The advantage of adding additional steps of inquiry is that it provides due diligence to collect the income information necessary to determine the number of replacement units. The disadvantage is that using rent as a proxy to determine income, in particular, has the potential to be inaccurate, as an individual or family of low or moderate income could be paying market rate rent.  The advantage of deeming a unit occupied by low or moderate income persons or families as a replacement unit, when the income information is not available, is that it provides an incentive to the lessees to provide the information requests and ensures that units will be

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
		<p>rates for the same year as noted below:</p> <p>If the average monthly rent for the unit is less than or equal to the average monthly affordable rent for a very-low income household, the unit will be considered to be occupied by a very-low income person or family.</p> <p>If the average monthly rent for the unit is less than or equal to the average monthly affordable rent for a low income household, the unit will be considered to be occupied by a low income person or family.</p> <p>If the average monthly rent for the unit is less than or equal to the average monthly affordable rent for a moderate income household, the unit will be considered to be occupied by a moderate income person or family.</p> <p>If the average monthly rent for the unit is greater than the average monthly affordable rent for a moderate income household, the unit will be deemed a market-rate unit.</p> <p><i>Draft Policy Page 5</i></p>	<p>using rents, etc. to exercise due diligence. When the tenant does not respond to the survey and the income information is not available, deem the unit occupied by low or moderate income persons or families.</p>	<p>replaced regardless of whether or not the information is provided. However, the disadvantage of deeming a unit affordable is that it places a burden on the lessee to provide additional affordable units that may not accurately reflect the number of low and moderate income households occupying units.</p>
<p><b>Off-site replacement and inclusionary housing units</b></p>	<p>[REPLACEMENT UNITS]</p> <p>....Replacement dwelling units shall be located within the same city or county as the dwelling units proposed to be converted or demolished.... if location on the site or elsewhere within the coastal zone is not feasible, they shall be located within three miles of the coastal zone....</p> <p><i>Government Code 65590 (b)</i></p> <p>[INCLUSIONARY UNITS]</p> <p>....Where it is not feasible to provide these housing units in a proposed new housing development, the local government shall require the developer to provide such housing, if feasible to do so, at another location</p>	<p>[REPLACEMENT UNITS]</p> <p>If on-site or Coastal Zone replacement is determined to be infeasible, the units shall be provided at an off-site location in the following priority order:</p> <p>Within three miles of the Coastal Zone in the unincorporated territory of Los Angeles County; or</p> <p>Within three miles of the Coastal Zone in the incorporated territory of Los Angeles County.</p> <p>Off-site units can be new construction or the substantial rehabilitation of existing</p>	<p><input type="checkbox"/> 1. When permitted by the Mello Act, allow for the provision of off-site replacement or inclusionary units within the Coastal Zone or within three miles of the Coastal Zone in either the unincorporated or incorporated areas of Los Angeles County, with priority given to the unincorporated areas.</p> <p><input type="checkbox"/> 2. When permitted by the Mello Act, require the provision of off-site replacement or inclusionary units within the Coastal Zone or within three miles of the Coastal Zone in the unincorporated areas only.</p>	<p>The advantage of allowing the provision of off-site affordable units within other jurisdictions, when infeasible to do so within the unincorporated area, is that it creates additional opportunities to provide affordable housing. Vacant land and sites of sufficient size with zoning and general plan land use policy designations that are suitable for the development of affordable housing—which is generally medium to high density—within the unincorporated communities of the coastal zone (Marina del Rey, Catalina Island, Santa Monica Mountains) are scarce. However, one disadvantage is that it may be difficult to monitor and enforce affordable units located within other jurisdictions. In cases where the off-site units are provided within the Coastal Zone, the project would be subject to another jurisdiction’s Mello Act requirements, which raises the concern over double-counting when meeting separate requirements. Furthermore, another disadvantage is that the provision of off-site units within another jurisdiction would not count the units toward meeting the goals of the County’s Housing Element.</p>

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
Off-site replacement and inclusionary housing units (continued)	<p>within the same city or county, either within the coastal zone or within three miles thereof.</p> <p><i>Government Code 65590 (d)</i></p>	<p>units. The obligation to construct or rehabilitate affordable replacement housing units off-site will be the sole responsibility of the applicant.</p> <p><i>Draft Policy Pages 7, 8</i></p> <p>[INCLUSIONARY UNITS]</p> <p>If on-site development of the inclusionary housing units is determined to be infeasible based upon the project feasibility analysis, the units must be provided at an off-site location in the following priority order:</p> <p>In the Coastal Zone within the unincorporated territory of Los Angeles County;</p> <p>Within three miles of the Coastal Zone in the unincorporated territory of Los Angeles County;</p> <p>In the Coastal Zone within the incorporated territory of Los Angeles County; or</p> <p>Within three miles of the Coastal Zone in the incorporated territory of LAs County.</p> <p>The off-site inclusionary units can be new construction or substantial rehabilitation. The obligation to construct or rehabilitate affordable housing inclusionary units off-site will be the sole responsibility of the applicant.</p> <p><i>Draft Policy Pages 9, 10</i></p>		
Term of affordability	Not specified.	<p>[REPLACEMENT UNITS]</p> <p>The applicant shall record a covenant guaranteeing that the relevant affordable</p>	<input type="checkbox"/> 1. At least 30 years, to be consistent with the duration of affordability required for density bonuses and	The advantage of having a long duration of affordability is to maximize the effectiveness of setting aside units for low or moderate income households. However, the longer the duration of affordability for replacement and inclusionary units, will increase the likelihood of financial infeasibility and increase the loss of County revenue from the project.

MELLO ACT POLICY OPTIONS

Attachment 2

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
		<p>income and rent requirements for each replacement unit will be observed for at least 30 years from the issuance of the Certificate of Occupancy.</p> <p><i>Draft Policy Page 6</i></p> <p>[REPLACEMENT AND INCLUSIONARY UNITS]</p> <p>The applicant shall record a covenant guaranteeing that the relevant affordable income and rent requirements for each replacement and inclusionary unit will be observed for at least 30 years from the issuance of the Certificate of Occupancy.</p> <p><i>Draft Policy Page 10</i></p>	<p><b>other conventional financing.</b></p> <p><input type="checkbox"/> 2. At least 55 years, to be consistent with affordability terms for major affordable housing funding sources, including Low Income Housing Tax Credits and HOME funds.</p> <p><input type="checkbox"/> 3. For the duration of each County lease.</p> <p><input type="checkbox"/> 4. Less than 30 years.</p> <p><input type="checkbox"/> 5. In perpetuity.</p>	
Housing tenure	Not specified.	<p>Ownership Units</p> <p>If an applicant is proposing to develop a project that includes rental and ownership units, the replacement and inclusionary units may all be provided in the rental component;</p> <p>If an applicant is proposing to develop a 100% ownership unit project, the applicant may provide rental units on-site to fulfill the replacement and inclusionary obligations.</p> <p><i>Draft Policy Page 11</i></p>	<p><input type="checkbox"/> 1. Allow replacement and inclusionary housing units the flexibility to be offered as for rent or for sale.</p> <p><input type="checkbox"/> 2. Require the housing tenure for replacement housing units to be comparable to the housing tenure of the unit for which the replacement unit determination is made.</p> <p><input type="checkbox"/> 3. Require onsite replacement and inclusionary housing units of comparable housing tenure to market-rate units.</p>	<p>The advantage of allowing flexibility in housing tenure is that it may improve project feasibility and maximize the number of affordable units provided. The disadvantage is that this flexibility may allow an "access" or fair housing problem to be created when a blend of tenure types are allowed within the overall development. As Marina del Rey is almost exclusively a rental market, however, the application of this provision will be the exception, not the rule.</p>
Housing tenure (Continued)				
Local incentives/ concessions	<p>[INCLUSIONARY UNITS]</p> <p>....In order to assist in providing new housing units, each local government shall offer density bonuses or other incentives, including, but not limited to, modification of zoning and subdivision requirements, accelerated processing of required applications, and the waiver of appropriate fees.</p> <p><i>Government Code 65590 (d)</i></p>	<p>[REPLACEMENT UNITS]</p> <p>The project feasibility analysis must include:</p> <p>An evaluation of impacts created by incentives available to the applicant such as density bonuses; development standards relief; and available state and local assistance programs. (Note: County rent concessions will not be made available to the applicant to comply with</p>	<p><input type="checkbox"/> 1. Provide incentives and concessionsfor inclusionary housing units, only, on a case-by-case basis.</p> <p><input type="checkbox"/> 2. Provide incentives and concessions for inclusionary and replacement housing units, on a case-by-case basis.</p>	<p>The advantage of providing additional local incentives for the provision of replacement units as well as inclusionary units, based on availability, is that it can help contribute to making the affordable units feasible. However, the disadvantages are that it involves a significant financial commitment from the County and that there is an opportunity cost to the funds that could be used for other public purposes, including the provision of affordable housing elsewhere.</p> <p>The advantage of specifying the incentives and concessions that the County is willing to give is that it provides certainty to the lessees. The disadvantage, however, is that each development is unique and subject to changing market conditions which require flexibility in negotiations to ensure that affordable housing requirements are balanced with County revenue goals.</p>

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
		<p>the applicant's replacement housing obligation pursuant to the Mello Act)....</p> <p><i>Draft Policy Page 7</i></p> <p>[INCLUSIONARY UNITS]</p> <p>The project feasibility analysis must include:</p> <p>An evaluation of impacts created by incentives available to the applicant such as density bonuses; development standards relief; and available state and local assistance programs. (Note: County rent adjustments to comply with the inclusionary housing requirement are subject to negotiation on a case-by-case basis.)....</p> <p><i>Draft Policy Page 9</i></p>	<div><input type="checkbox"/> 3. Provide a list of specific incentives and concessions for inclusionary units only.</div> <div><input type="checkbox"/> 4. Provide a list of specific incentives and concessions for replacement and inclusionary housing units.</div>	
In-lieu fee	<p>[REPLACEMENT UNITS]</p> <p>...The requirements of this subdivision for replacement dwelling units shall not apply to the following types of conversion or demolition unless the local government determines that replacement of all or any portion of the converted or demolished dwelling units is feasible, in which event replacement dwelling units shall be required:</p> <p>...</p> <p>The conversion or demolition of a residential structure located within the jurisdiction of a local government which has established a procedure under which an applicant for conversion or demolition will pay an in-lieu fee into a program, the various provisions of which, in aggregate, will result in the replacement of the number of dwelling units which would otherwise have been required....</p> <p><i>Government Code 65590 (b)(4)</i></p>	<p>[REPLACEMENT UNITS]</p> <p>No in-lieu fee program will be available to comply with the replacement housing obligations.</p> <p><i>Draft Policy Page 8</i></p> <p>[INCLUSIONARY UNITS]</p> <p>No in-lieu fee program will be available to comply with the inclusionary housing obligations.</p> <p><i>Draft Policy Page 10</i></p>	<div><input type="checkbox"/> 1. No in-lieu fee for replacement or inclusionary housing units.</div> <div><input type="checkbox"/> 2. Complete a study to determine and set an in-lieu fee for inclusionary housing units.</div> <div><input type="checkbox"/> 3. Complete a study to determine and set an in-lieu fee for replacement housing units.</div>	<p>The advantage of having an in-lieu fee program is that it would allow the County to capture funds for affordable housing when providing the units is determined to be infeasible. Requiring in-lieu fees is a method for obtaining funding for the County to provide affordable units when the lessee would otherwise be relieved of that responsibility because it is infeasible. However, the disadvantage is that the County would have to conduct a technical study in order to determine the appropriate in-lieu fee, which could be costly and time-consuming.</p> <p>Although the Mello Act specifies the parameters of in-lieu fee programs for replacements units, an in-lieu fee program for inclusionary units would be similar in that it could only apply when providing affordable units within three miles of the Coastal Zone is infeasible. The advantage of having an in-lieu fee program for both replacement units and inclusionary units is that it provides more funds for affordable housing. The disadvantage, however, is that an in-lieu fee program shifts the responsibility for constructing the units to the County, and given the small number of projects coming forward for entitlements in the remainder of second generation Marina redevelopment, sufficient in-lieu fees may not be generated for a viable affordable housing project.</p>

MELLO ACT POLICY OPTIONS

Attachment 2

Issue	Mello Act	Recommended Policy	Policy Options <sup>1</sup>	Comments
Right of first refusal	Not specified.	None.	<div><input type="checkbox"/> 1. No provision for right of first refusal.</div> <div><input type="checkbox"/> 2. Offer right of first refusal to the last income eligible person or family who last occupied a demolished or converted affordable residential unit upon and availability, and upon verification of income eligibility, on a first come, first basis.</div>	The advantage of offering the right of first refusal is to give individuals and families of low or moderate income who are displaced by demolition or conversion the opportunity to return to an affordable replacement unit. The disadvantage is that it would be difficult to monitor and enforce.
Rental exemption	Not specified.	None.	<div><input type="checkbox"/> 1. No exemptions for rental projects.</div> <div><input type="checkbox"/> 2. Conduct an upfront technical feasibility study to determine if rental developments are infeasible, and therefore exempt from Mello Act provisions.</div>	The disadvantage of pursuing the rental housing exemption is that it requires a technical study that would be expensive and time-consuming to produce, and the exemption, if warranted, could result in substantially fewer affordable units than if there was no exemption.
Relocation assistance	Not specified.	None.	<div><input type="checkbox"/> 1. No provision of relocation assistance (because it is not required by the Mello Act or other statute).</div> <div><input type="checkbox"/> 2. Provide relocation assistance under terms to be determined by the County and administered by the County CDC.</div>	The advantage of offering relocation assistance is that it provides persons or families of low or moderate income, who are displaced as a result of demolition or conversion, with assistance to find and secure housing elsewhere. The disadvantage, however, is that it would require a significant financial commitment from the County or its lessees and would be difficult to administer.